

## Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 AGR-05 /019 W

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R 301630Z JAN 76

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 2691

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E.O. 11652: N/A

TAGS: EAGR, ETRD, CS

SUBJECT: MEAT IMPORT QUOTA FOR COSTA RICA

REF: (A) STATE 20858, (B) STATE 13584

1. EMBASSY APPRECIATES DEPARTMENT'S EFFORTS TO FIND SOLUTION TO COSTA RICA'S MEAT EXPORT PROBLEM AND IS MAKING FULL PRESENTATION OF POINTS IN REF (A) TO HIGH-LEVEL GOVERNMENT OFFICIALS AND TO KEY INDUSTRY REPRESENTATIVES. EMBASSY WILL URGE THAT THEY MAKE EVERY EFFORT TO TAKE ADVANTAGE OF POSSIBILITY OUTLINED BY DEPARTMENT THAT COSTA RICAN MEAT COULD BE SOLD THIS YEAR TO EUROPEAN IMPORTERS.

2. WHILE EMBASSY IS MAKING GOOD FAITH EFFORT TO PRESENT IN THE BEST POSSIBLE LIGHT THE POSSIBILITIES OUTLINED BY THE DEPARTMENT AND THE DIFFICULTIES THAT THE DEPARTMENT SEES IN NEGOTIATING ANOTHER KIND OF SOLUTION, WE ARE SKEPTICAL THAT THE EUROPEAN COMMUNITY WOULD PROVE TO BE A VIABLE ALTERNATIVE EXPORT MARKET FOR COSTA RICAN MEAT, AND WILL BE INTERESTED IN THE DEPT'S ASSESSMENT. THE PRICE FACTOR WOULD PROBABLY BE A BARRIER. WE UNDERSTAND THAT, IN THE PAST, PURCHASE OFFERS FROM THE EC WERE AT PRICES THAT DID NOT OFFER REASONABLE RETURNS TO THE COSTA RICAN MEAT INDUSTRY. EVEN IF THE EC PRICE EQUALED THAT IN THE U.S., COSTA RICA WOULD HAVE TO ABSORB A SHIPPING DIFFERENTIAL THAT MIGHT BE CONSIDERABLE, AS WELL AS

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ANY DIFFERENCE IN MARKUP. OTHER COST DIFFERENCES

MIGHT ARISE OUT OF THE COMPLEX EUROPEAN COMMUNITY IMPORT SYSTEM THAT RESTRICTS FREE TRADE BY REQUIRING A TRADER TO PURCHASE AN AMOUNT FROM INTERVENTION STOCKS EQUAL TO THE QUANTITY IMPORTED. IN ADDITION, WE UNDERSTAND THAT AUSTRALIA AND ARGENTINA ARE EXPECTED TO MAKE LARGER SHIPMENTS TO THE EC MARKET.

3. IF THE EUROPEAN COMMUNITY ALTERNATIVE SHOULD PROVE NOT TO BE VIABLE, HOPE THAT EFFORT WILL CONTINUE TO FIND SOME MEANS TO GIVE A LARGER QUOTA IN THE U.S. MARKET, IN VIEW OF IMPORTANT POLITICAL AND OTHER REASONS PRESENTED IN PREVIOUS MESSAGES.

4. REF (B), WHICH PURPORTS TO BE A BAN ON TRANSSHIPMENTS OF AUSTRALIAN AND NEW ZEALAND BEEF BUT WHICH APPEARS TO HAVE THE OPPOSITE EFFECT, WAS DISAPPOINTING. IF WE UNDERSTAND THE MESSAGE CORRECTLY, IT SAYS IN EFFECT THAT AUSTRALIA AND NEW ZEALAND WILL NOT HAVE ANY RESPONSIBILITY FOR ASSURING THAT THEIR COMMITMENTS UNDER VOLUNTARY AGREEMENTS WITH THE U.S. TO RESTRICT SHIPMENTS OF MEAT TO THE U.S. MARKET ARE NOT VIOLATED BY SHIPMENTS SENT TO THE U.S. THROUGH THIRD COUNTRIES. THIS APPEARS TO US TO BE AN OPEN INVITATION TO AUSTRALIA AND NEW ZEALAND TO CONTINUE THEIR PRACTICES OF LAST YEAR THROUGH WHICH SUBSTANTIAL SHIPMENTS OF THEIR BEEF ARE SAID TO HAVE MOVED TO THE U.S. MARKET THROUGH MEXICO AND PANAMA AND PERHAPS OTHER COUNTRIES. SUCH PRACTICES, IF REPEATED IN 1976, WOULD PREVENT THE DEVELOPMENT OF SHORTFALLS IN THE EXPORT QUOTAS OF MEXICO AND CERTAIN CENTRAL AMERICAN COUNTRIES THAT WOULD OTHERWISE BENEFIT COSTA RICA. WE HAVE ARGUED THAT ANY SUCH SHORTFALLS SHOULD BE REALLOCATED WITHIN THE HEMISPHERE. THE DEPARTMENT HAS ARGUED THAT SHORTFALLS SHOULD BE ALLOCATED WORLDWIDE. IT NOW APPEARS, HOWEVER, THAT THE REGULATION REPORTED IN REF (B) IN EFFECT MAKES A DE FACTO ADVANCE ALLOCATION OF ALL SHORTFALLS THAT MIGHT DEVELOP TO AUSTRALIA.

5. SINCE AUSTRALIA AND NEW ZEALAND WILL HAVE NO RESPONSIBILITY FOR PREVENTING SHIPMENTS OF THEIR MEAT TO THE U.S. THROUGH THIRD COUNTRIES, WE WOULD BE VERY INTERESTED LIMITED OFFICIAL USE

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IN KNOWING WHETHER THE USG CONTEMPLATES SETTING UP ANY KIND OF MECHANISM TO PREVENT SUCH SHIPMENTS THAT CONTRAVENE THE SPIRIT AND THE LETTER OF THE VOLUNTARY RESTRAINT AGREEMENTS. HAVING FORBIDDEN SUCH SHIPMENTS, IT WOULD ONLY SEEM REASONABLE FOR THE USG TO INSURE THAT ITS PROHIBITION IS OBSERVED.

6. WE ARE ALSO SKEPTICAL OF ASSERTIONS THAT

MEASURES THAT HAVE BEEN PROPOSED TO HELP COSTA RICA, SUCH AS REALLOCATIONS OF SHORTFALLS WITHIN THE HEMISPHERE, WOULD MAKE THE VOLUNTARY AGREEMENTS NON-NEGOTIABLE WITH AUSTRALIA AND NEW ZEALAND. THE MANY DISADVANTAGES POINTED OUT BY THE DEPARTMENT IN REF (A) OF ALLOWING THE VOLUNTARY RESTRAINT PROGRAM TO FAIL WOULD APPEAR TO US TO APPLY IN EVEN GREATER DEGREE TO AUSTRALIA AND NEW ZEALAND. AS THE LARGEST EXPORTERS UNDER THE VOLUNTARY RESTRAINT PROGRAM THEY WOULD SUFFER THE GREATEST LOSSES FROM COLLAPSE FROM THAT PROGRAM. WE WOULD THEREFORE ASSUME THAT THEY, LIKE OTHER PROGRAM PARTICIPANTS, WILL HAVE TO ACCEPT WHATEVER DECISIONS ARE MADE IN WASHINGTON WITH RESPECT TO THE FORM IN WHICH QUOTAS SHOULD BE ALLOCATED AND REALLOCATED. MOREOVER, IT SEEMS UNLIKELY THAT THE SMALL ADDITIONAL AMOUNT OF MEAT THAT COSTA RICA COULD EXPORT WOULD HAVE ANY APPRECIABLE EFFECT ON AUSTRALIAN AND NEW ZEALAND SHIPMENTS.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** POLICIES, MEATS, IMPORT QUOTAS, EXPORT CONTROLS, PRICES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 30 JAN 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** ElyME  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976SANJO00484  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D760037-0868  
**From:** SAN JOSE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t1976014/aaaaadcb.tel  
**Line Count:** 133  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 76 STATE 20858, 76 STATE 13584  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** ElyME  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 19 JUL 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <19 JUL 2004 by coburnhl>; APPROVED <25 OCT 2004 by ElyME>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** MEAT IMPORT QUOTA FOR COSTA RICA  
**TAGS:** EAGR, ETRD, CS, US  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006